

EXCEPTION

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OPEN MEETING AGENDA ITEM

BEFORE THE ARIZONA CORPORATION COMMISSION

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ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF
UNS ELECTRIC, INC. FOR THE
ESTABLISHMENT OF JUST AND
REASONABLE RATES AND CHARGES
DESIGNED TO REALIZE A REASONABLE
RATE OF RETURN ON THE FAIR VALUE
OF THE PROPERTIES OF UNS ELECTRIC,
INC. DEVOTED TO ITS OPERATIONS
THROUGHOUT THE STATE OF ARIZONA.

Docket No. E-04204A-09-0206

Arizona Corporation Commission

DOCKETED

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**EXCEPTIONS OF THE
RESIDENTIAL UTILITY CONSUMER OFFICE**

The Residential Utility Consumer Office ("RUCO") makes the following Exceptions to the Recommended Opinion and Order ("ROO") on UNS Electric, Inc.'s ("UNSE" or "Company") application for a rate increase.

Commission should reject recovery of a pay increase two years beyond the test year.

For the most part, RUCO believes that the ROO is well balanced and well reasoned and supports the approval of the ROO. RUCO's only exception concerns the ROO's recommendation to allow the Company recovery of the Company's 2010 wage increase. ROO at 22-23. RUCO respectfully requests the Commission deny recovery of a company-wide pay raise in 2010 for two reasons. First, the pay raise is two years beyond the test year. Second,

1 on balance, it is inequitable for the ratepayers to shoulder year-after-year automatic pay raises
2 in these highly distressed economic conditions.

3 The test year ended December 31, 2008. RUCO does not oppose recovery of any
4 wage increase made during the 2008 test year. Nor does RUCO oppose the post-test-year
5 wage increase for 2009. RUCO, however, respectfully recommends the Commission reject
6 the Company's proposal to recover the 2010 post-test-year pay increase. The 2010 pay
7 increase went into effect over one year beyond the test year, and had not even gone into effect
8 at the time the Company filed its application. While RUCO accepted a 2009 post-test-year pay
9 raise, a subsequent, automatic 2010 pay raise is too far beyond the 2008 test year.

10 The point is even further compounded by the dire state of the current economy. For
11 those ratepayers that even have a job (and with Arizona's current unemployment hovering
12 near 10 percent), allowing rates to increase to account for a third consecutive company-wide
13 raise is simply inappropriate.

14 The ROO notes that its recommendation to allow a 2010 pay raise in this case is
15 consistent with previous Commission decisions. RUCO does not disagree. But the economic
16 climate is changing for the worse and the Commission cannot ignore the economic realities
17 that ratepayers face. With dim prospects of an economic recovery in the near future, the
18 Commission has every right to deviate from past decisions and reject the Company's request
19 to increase rates to cover a 2010 pay raise.

20 As former Commissioner Bill Mundell often said "The Commissioners are not just bear
21 counters." Ratepayers are facing very difficult economic times, and the Commission needs to
22 cut any excess expense. The Commission should reject the 2010 raise.

23 RUCO's proposed amendment is attached as Exhibit 1.
24

1 RESPECTFULLY SUBMITTED this 2nd day of September, 2010.

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3
4 

Daniel W. Pozefsky
Chief Counsel

5 AN ORIGINAL AND THIRTEEN COPIES
6 of the foregoing filed this 2nd day
7 of September, 2010 with:

8 Docket Control
9 Arizona Corporation Commission
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10 COPIES of the foregoing hand delivered/
11 mailed this 2nd day of September, 2010 to:

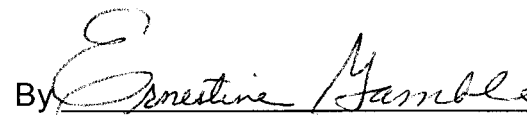
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**UNS Electric, Inc.
E-04204A-09-0206**

**Proposed RUCO Amendment No. 1
Payroll Expense**

Page 23, DELETE lines 7-14.

INSERT:

We find that the 2010 wage increase should not be recognized in rates approved in this proceeding. While we have allowed for the recovery of post-test-year wage increases in the past, we recognize that the state of the current economy continues to remain dire, and that it would no longer be appropriate to allow recovery of post-test-year wage increases that go into effect more than one year beyond the test year. Accordingly, we adopt RUCO's recommendation to adjust payroll expense by \$79,628 and payroll tax expense by \$35,430.

Make all conforming changes.